

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

\$250,000 FINE IMPOSED FOR FRAUDULENT SALE OF POSTAL UNIFORMS

NEWS RELEASE SUMMARY - August 14, 2013

Los Angeles resident Carl Wayne Adrian, Sr., and his company, California Uniforms, Inc. were fined \$250,000 and ordered to forfeit \$135,000 worth of seized Postal uniform items. Adrian Sr. was also sentenced to 12 months of home detention by U.S. District Judge William Q. Hayes.

As revealed during their guilty plea, the defendants participated in a scheme to defraud the Postal Service by providing unlicensed vendors with access to the Postal Service uniform sales reimbursement system in return for a 10% kickback.

Postal Service contracts with vendors wishing to sell licensed Postal uniform items require the vendor to accept payment only at the point of sale from Postal employees with proper identification. Payment for Postal uniforms can only be accepted in the form of uniform allowance cards, which are funded by the Postal Service. Vendors under contract with the Postal Service are given an authorization code which allows them to

receive payments.

The vendor licensing agreements allow the Postal Service to insure that its uniforms are sold only by responsible vendors. This control over the sales of Postal uniforms has an important public safety aspect, in that most Americans will willingly open the door to their home to anyone wearing a Postal letter carrier uniform. For this reason, it is a misdemeanor for anyone who is not a letter carrier to wear such a uniform (18 USC 1730).

In December of 2009, Carl Adrian, Sr. received a proposal from Ace Uniforms in San Diego (which had recently lost its license to sell Postal uniforms) that he and his company, California Uniforms (which at that time possessed a valid license to sell Postal uniforms) process the uniform allowance card purchases made at Ace Uniforms, Inc. stores in San Diego and Phoenix, falsely representing the purchases to be the sales of California Uniforms, in return for a kickback of 10% of the amount paid by the Postal Service. Adrian admitted that he agreed to this proposal and during the period from December 9, 2009, through August 31, 2010, he and his firm improperly processed payments totaling approximately \$105,000 for Postal uniform items sold at Ace Uniforms.

On August 31, 2010, the Postal Service canceled the contract with California Uniforms, Inc. that allowed the firm to sell Postal uniforms. Thereafter, the company contacted Monica Lauer of Merchandise Center, Inc. (who possessed a valid license to sell Postal uniforms), and proposed that Merchandise Center process the uniform allowance card purchases made at California Uniforms, Inc. stores in San Diego and Los Angeles, falsely representing the purchases to be the sales of Merchandise Center, in return for a kickback of 10% of the amount paid by the Postal Service. During the period from August 31, 2010, through October 13, 2011, Merchandise Center improperly processed payments totaling \$410,000 for Postal uniform sold at California Uniforms.

This is one of a series of cases involving this scheme to defraud. On February 2, 2012, defendant Ace Uniforms, Inc. and its owner, Marc Stein, pled guilty to Conspiracy to Provide Kickbacks for their part in the scheme. Both Ace Uniforms and California Uniforms agreed to forfeit to the government all Postal uniforms found at their locations during the execution of search warrants at their business locations. Ace

Uniforms and Stein are scheduled to be sentenced before Judge Hayes on September 23, 2013, at 9:00 a.m.

On August 21, 2012, Monica Lauer and Merchandise Center, Inc. also pled guilty to Conspiracy to Accept Kickbacks for their role in the scheme. Lauer and Merchandise Center are also scheduled to be sentenced before Judge Hayes on September 23, 2013, at 9:00 a.m.

On August 22, 2013, Carl Wayne Adrian, Jr., the manager of the San Diego store for California Uniforms, pled guilty to Criminal Infringement of a Copyright. Postal uniforms bear the Sonic Eagle logo, which is copyrighted and trademarked by the Postal Service. Adrian Jr. admitted that he directed his employees to continue selling the Postal uniform items in inventory, including those bearing the Sonic Eagle logo, after California Uniform's license to distribute Postal uniforms had been revoked, thereby infringing upon the Sonic Eagle copyright held by the Postal Service. On October 9, 2012, Adrian Jr. was sentenced to one year probation and a fine of \$500.

Pacific Area Field Office Special Agent in Charge Scott Pierce said: "The Postal Service manages over 30,000 contract actions each fiscal year. About \$11 billion were spent on postal contracts in FY 2012. Due to the sheer volume of contracts and the huge dollar amounts involved, the Postal Service can be susceptible to losses in the hundreds of millions to fraud every year. Special Agents of the United States Postal Service Office of Inspector General actively investigate allegations of fraud, waste, and misconduct by contractors and postal employees who handle contracts. This case is an excellent example of the successful partnership between the Office of Inspector General and the U.S. Attorney's office to aggressively pursue and prosecute cases where contract improprieties are uncovered."

Criminal Case No. 12cr3650-WQH

DEFENDANTS

California Uniforms, Inc.
Los Angeles, California

Date of Incorporation: 8-15-67

Carl Wayne Adrian, Sr.
Los Angeles, California

SUMMARY OF CHARGES

Count 1 - Adrian Sr.

Wire Fraud, in Violation of Title 18, United States Code, Section 1343
Maximum Penalties: 20 years in custody and/or \$250,000 fine, \$100 special assessment.

Count 6 - California Uniforms, Inc.

Wire Fraud, in Violation of Title 18, United States Code, Section 1343
Maximum Penalties: 5 years probation, \$500,000 fine, \$400 special assessment.

Criminal Case No. 12cr3136-WQH

DEFENDANTS

Merchandise Center, Inc.
North Hollywood, California

Date of Incorporation: 12-17-86

Monica Lauer
Los Angeles, California

SUMMARY OF CHARGES

Conspiracy to Accept Kickbacks, in Violation of Title 18, United States Code, Section 371, and Title 41, United States Code, Sections 8702 and 8707

Maximum Penalties: 5 years in custody and/or \$250,000 fine, \$100 special assessment for the individual, and 5 years probation, a \$500,000 fine and a \$400 special assessment for the corporation.

Criminal Case No. 12cr0235-WQH

DEFENDANTS

Ace Uniforms, Inc.
San Diego, California

Date of Incorporation: 1-12-95

Marc Stein
San Diego, California

SUMMARY OF CHARGES

Conspiracy to Provide Kickbacks, in Violation of Title 18, United States Code, Section 371, and Title 41,

United States Code, Sections 52 and 53

Maximum Penalties: 5 years in custody and/or \$250,000 fine, \$100 special assessment for the individual, and 5 years probation, a \$500,000 fine and an \$400 special assessment for the corporation

Criminal Case No. 12cr3452-JMA

DEFENDANT

Carl Adrian, Jr.
San Diego, California

SUMMARY OF CHARGES

Criminal Infringement of a Copyright, in Violation of Title 18, United States Code, Sections 2319 and 2

Maximum Penalties: 1 year in custody and/or \$100,000 fine, \$25 special assessment

AGENCY

United States Postal Service, Office of Inspector General